

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 1696-01  
Bill No.: HB 959  
Subject: Education, Elementary and Secondary; Department of Elementary and Secondary Education  
Type: Updated  
Date: April 9, 2015  
# Updated for DESE, DHSS and DSS responses and Oversight assumptions.

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Bill Summary: This proposal imposes penalties against parents or guardians of children who are not enrolled in school or who are habitually absent without excuse.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
#General Revenue	(\$929,397)	(\$973,395)	(\$989,224)
<b>Total Estimated Net Effect on General Revenue</b>	<b>(\$929,397)</b>	<b>(\$973,395)</b>	<b>(\$989,224)</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
#Other State Funds*	(\$772,597,307)	(\$944,731,987)	(\$962,681,895)
<b>Total Estimated Net Effect on Other State Funds</b>	<b>(\$772,597,307)</b>	<b>(\$944,731,987)</b>	<b>(\$962,681,895)</b>

\* Loss of all MHD federal funding results in loss of provider taxes.

Numbers within parentheses: ( ) indicate costs or losses.  
This fiscal note contains 12 pages.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
#Federal Funds*	(\$500,485)	(\$566,282)	(\$576,189)
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>(\$500,485)</b>	<b>(\$566,282)</b>	<b>(\$576,189)</b>

\* Federal loss includes \$34 million in food stamp program and \$3.9 billion of MHD federal funding that nets to zero due to savings from no longer participating in the programs.

<b>ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)</b>			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
#General Revenue	9 FTE	9 FTE	9 FTE
#Federal	5 FTE	5 FTE	5 FTE
<b>#Total Estimated Net Effect on FTE</b>	<b>14 FTE</b>	<b>14 FTE</b>	<b>14 FTE</b>

☒ Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$100,000 in any of the three fiscal years after implementation of the act.

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

## FISCAL ANALYSIS

### ASSUMPTION

Due to time constraints, **Oversight** originally prepared a fiscal note for this bill without all of the agency responses. Oversight has since obtained the agency responses and upon review of those responses, believes the original fiscal note should be updated. Therefore, this fiscal note updates the original by providing agency responses.

#Officials at the **Department of Elementary and Secondary Education (DESE)** assume they have no way to estimate the savings which would result from revoking public benefits. For informational purposes, DESE can provide the following:

89.3% of students were in attendance 90% of the time or greater; conversely, 10.7% of students were absent 10% of the time or less.

Schools may track whether absences are excused; however, the department does not. The fact that an absence is excused has no bearing upon the daily attendance count.

#Officials at the **Department of Social Services (DSS)** assume the following Divisions will be impacted as listed:

#### Family Support Division (FSD)

The Temporary Assistance program would be impacted. As of January 2015, there are 31,320 active TANF cases. Per §167.061.1, any parent or guardian who has care and control of a child and violates the provisions of §167.031 is guilty of a class C misdemeanor. Upon conviction, the defendant has to enroll the child in school within 3 days.

FSD anticipates a match with the Missouri State Highway Patrol would be used to determine if an individual has been found guilty of a class C misdemeanor for failing to enroll a child in a program of academic instruction. FSD assumes the cost for this would be similar to the cost incurred for screening recipients of temporary assistance for drug-related arrests and convictions. This was a one- time cost of \$42,320 to develop the interface and on-going annual maintenance of \$2,800 for the duration the interface is active.

In 2014, 89.3% of students enrolled in school had an attendance rate of at least 90%. Assuming the same attendance rate for active TANF cases, 27,969 cases would not be impacted by this change ( $31,320 \times 89.3\% = 27,968.76$  rounded up). The remaining 3,351 active cases ( $31,320 - 27,969 = 3,351$ ) could be impacted by this change. Revocation of the parent or guardian's portion of the TANF grant reduces the total grant by approximately \$58. The FSD estimates an

ASSUMPTION (continued)

initial savings of \$194,358 during the first month of implementation of this change ( $\$58 \times 3,351 = \$194,358$ ). FSD estimates 10% of the 3,351 families will not enroll their child(ren) after the initial reduction of the TANF grant. This would result in ongoing savings of \$213,730 ( $3,351 \times 10\% = 335.1$  rounded down.  $335 \times \$58 = \$19,430$  per month savings.  $\$19,430 \times 11 \text{ months} = \$213,730$ ). Total savings for the year would be \$408,088 ( $\$194,358 + \$213,730 = \$408,088$ ).

This would result in a reduction of TANF spending on cash assistance, but not a savings in TANF or the general revenue maintenance of effort (MOE) funding because all TANF/MOE must be spent on one of the four purposes of the TANF program:

1. To provide assistance to needy families;
2. To end dependence of needy parents by promoting job preparation, work and marriage;
3. To prevent and reduce out-of-wedlock pregnancies; and
4. To encourage the formation and maintenance of two-parent families.

**#Oversight** assumes the TANF savings would be reinvested into the program; therefore, Oversight will not show a fiscal impact from this part of the proposal.

Food Stamp Program (FSD)

**#DSS** assumes the Food Stamp Program would also be impacted. Federal rules found at 7 CFR 273.2 specify that states must base food stamp eligibility solely on the criteria contained in the Food Stamp Act and in the federal rules. The Food Stamp Act and federal rules do not require school age recipients to attend school.

The FSD reasonably anticipates that there could be sanctions imposed by the United States government for not complying with federal law. These sanctions could include a disallowance of some or all of the federal Food Stamp program funding. The FFY 2014 SNAP Administrative federal funds were \$34.25 million. In order to continue these services in Missouri, any loss in federal funding would have to be replaced with General Revenue. Since it is unknown what monetary sanctions the federal government would impose, FSD estimates the loss of federal funds that would have to be replaced with General Revenue is \$0 to \$34.2 million.

**#Oversight** assumes this proposal does not require General Revenue to replace the potential loss of federal funding. Oversight assumes that if federal funding is lost, the State would have an offsetting savings from not having to provide services. Oversight will show the potential loss of \$0 to \$34.25 million in federal funding and the offsetting savings.

ASSUMPTION (continued)

Low-Income Home Energy Program (LIHEAP)

#**DSS** assumes in federal fiscal year 2014, there were 148,453 households that received LIHEAP benefits, of which 61,681 contained at least one school age child. The LIHEAP program cannot determine how many of these households would be impacted by this section. Since LIHEAP benefits are for the household, one school age child not attending school at least 90% of the time would prevent the entire household from receiving LIHEAP benefits. However, since the LIHEAP program is a block grant program, any savings from ineligible households would be reinvested in the program.

#**Oversight** assumes the LIHEAP savings would be reinvested into the program; therefore, Oversight will not show a fiscal impact from this part of the proposal.

Division of Youth Services (DYS)

#**DSS** assumes enactment of this bill would have no discernable fiscal impact for the DYS but may affect its operations. Six youth were committed to DYS for truancy in FY 2014. Youth may be committed to DYS for truancy as a result of a single unexcused absence from school if that absence violates court ordered conditions of probation. It is unknown how many of these six youth were "habitually absent" as defined in this bill, thus subjecting parents/guardians/responsible parties to the possibility of losing their "public benefits" (if they are receiving any). In the worst case scenario revocation of a parent/guardian/responsible party's public benefit may leave a youth without a viable community placement following the division's provision of residential treatment. In these worst case scenarios where DYS youth are without viable support and placement upon completion of residential care; DYS would likely make referrals through the courts to the Children's Division and then work cooperatively to provide appropriate services.

Children's Division (CD)

#**DSS** assumes it is unknown whether the revocation would occur at the time of the conviction or whether this is after the 3 day period the subject is required to enroll the child. The implementation of the revocation of benefits would likely be delayed as well as a delay in the impact to the family. The Division could be working with a family and the impact of the loss of income and benefits could happen later.

This is an expansion of the §167.061 violation; therefore there are no current statistics to track these specific charges. Most of these allegations would be family assessments, do not meet investigations criteria, and therefore would not have substantiated findings.

ASSUMPTION (continued)

Based upon information on DESE's website, 885,858 children were enrolled in public schools in grades K-12 for the 2014-2015 school year.

- 10.7%, or 94,787 of these students have an attendance rate of less than 90%.
- Children's Division assumes that 10% of these students would have unexcused absences as this definition is determined by individual school districts.
- Using 10%, 9,479 students would have unexcused absences.
- CD further assumes that 49.5% of these students would be receiving some type of public benefits (49.5% is the percentage of students receiving free or reduced lunch). This would mean that 4,693 students would potentially be in households that would have public benefits reduced.
- CD further estimates that 25% of these 4,693 children, or 1,174 children would come to the attention of the CD because of loss of public benefits and the family's inability to meet the needs of the children/students.
- There is an average of 1.5 children on each CA/N incident reported. Thus, 783 incidents would be reported to the CA/N hotline.
- These 783 incidents would result in 513 CA/N reports with a need for 4 Children's Service Workers and 270 Family Assessments with a need for 2 Children's Service Workers.
- In addition, it is expected that 45 children will enter foster care. (6% of CA/N reports substantiated x 87.97% of children entering care). This will result in 3 additional foster care staff needed.
- CD also expects 44 Family Centered Services cases to be opened with services needed necessitating 3 additional Children's Service Workers.

Total Additional Staff Needed: 12 Children's Service Workers and 2 Supervisors.

Additional Foster Care Appropriations: \$668,970. Foster Care funding is requested at 41% federal funds, 59% General Revenue.

**#Oversight**, for fiscal note purposes, will show the additional FTE for DSS.

MOHealthNet Division (MHD)

**#DSS** assumes federal law found at 42 USC 1396a sets forth the criteria for who must be covered under a state's Medicaid plan. If individuals applying for Medicaid meet the criteria set forth in federal law, states must cover those individuals. Adding a requirement for all school age recipients to attend school at least 90% of the time would be adding an eligibility requirement that is not in federal law.

ASSUMPTION (continued)

The bill language states "may have his or her public benefits revoked." It is not clear that this bill would require us to end federal Medicaid funds. Medicaid is a joint federal/state program.

MHD reasonably anticipates that sanctions could be imposed by the United States government if Missouri did not comply with federal Medicaid law. These sanctions may include disallowances and the loss of all or a portion of federal financial participation in the Medicaid program.

If all federal funding is disallowed, the federal share of the Medicaid program and any federal funding from provider taxes would shift to general revenue. There would be a total cost of \$3,848,376,309. To calculate the FY 16 cost, it is assumed there would only be 10 months of the total cost \$3,206,980,257.50 ( $\$3,848,376,309 * (10/12)$ ). A 1.9% inflation factor was applied to FY 17 and FY 18.

The lost funding is:

FY 16 (10 months): \$3,979,577,565 (FF \$3,206,980,258, Other \$772,597,307)

FY 17: \$4,866,227,446 (FF \$3,921,495,459, Other \$944,731,987)

FY 18: \$4,958,685,768 (FF \$3,996,003,873, Other \$962,681,895)

Blind Medical is a state funded program under MHD and there may be some parents in this category that meet these criteria. MHD assumes any savings from disenrollment of custodial adults within the Blind Medical program related to this eligibility criteria would be minimal.

**#Oversight** assumes this proposal does not require General Revenue to replace the potential loss of federal funding. Oversight assumes if federal funding is lost, the State would have an offsetting savings from not having to provide services. Oversight will show the potential loss of federal funding and the offsetting savings. Additionally, Oversight assumes that if federal funding is lost, provider taxes would not be collected. Oversight will show a loss to Other State Funds for the provider taxes.

Division of Legal Services (DLS)

**#DSS** assumes the DLS provides legal advice and assistance to FSD in drafting and promulgating regulations relating to public assistance. DLS also provides administrative hearings to persons who have been denied public assistance benefits. As of January 2015, there were 31,320 active TANF cases. Assuming that approximately ten percent of these families have children who may be considered habitually absent from school and assuming that these matches can be found, this would cause 3,132 families to be ineligible for TANF. In the event that ten percent of these families requested an administrative hearing on their disqualification, this would result in approximately 313 additional hearings per year for the hearings unit. DLS anticipates

ASSUMPTION (continued)

that this increased number of hearings can be handled at current staffing levels.

#Officials at the **Department of Health and Senior Services (DHSS)** assume §167.061 may prohibit individuals from receiving public benefits in the event that their children/dependents are habitually absent from school. Multiple programmatic areas within DHSS could be impacted. If these areas are impacted, it could have wide ranging negative effects on the health of Missouri citizens. The costs or savings associated with the proposed changes are unknown. DHSS could experience a cost savings due to reduced services provided to individuals due to the revocation of benefits. However, DHSS could experience increased costs if the revocation of benefits resulted in an increase in the transmission of communicable disease such as HIV/AIDS, Tuberculosis, etc.

Officials at the **Office of Administration's Information Technology Services Division** assume this proposal would require an interface with DESE to determine absent kids or information would have to be gathered to determine eligibility. The creation of this tracking system would require one time set up costs.

Officials at the **Department of Higher Education** assume there could be a savings to the state, but they do not have data to give a precise amount.

Officials at the **Department of Mental Health, the Department of Labor and Industrial Relations** and the **Department of Economic Development** each assume there is no fiscal impact to their respective agencies from this proposal.

Officials at the **County Employees' Retirement Fund** assume this may cause a savings if a member's children are habitually absent from school. However, there is no way to determine the impact.

Officials at the **Missouri Local Government Employees Retirement System, Missouri State Employee's Retirement System, Police Retirement System of Kansas City, Prosecuting and Circuit Attorney's Retirement System, Public School and Education Employee Retirement, Sheriff's Retirement System and Police Retirement System of St. Louis** each assume there is no fiscal impact to their respective organizations from this proposal.

Officials at the **Cole R-1 School District, Everton R-III School District, Kansas City Public Schools, Malta Bend School District** and the **Special School District of St. Louis** each assume there is no fiscal impact to their respective school districts from this proposal.



ASSUMPTION (continued)

**Oversight** notes that this proposal would allow the public benefits of a parent or guardian to be revoked if their child is not enrolled in and attending school. Oversight is unable to determine how many children in the state are habitually absent or not enrolled in school. Oversight is also unable to determine if the children that are habitually absent or not enrolled in school have parents that receive public benefits. Oversight notes there are currently 887,641 students in public school in Missouri.

**Oversight** notes this proposal defines "public benefit" as "... any grant, contract, or loan provided by an agency of state or local government; or any retirement, welfare, health, postsecondary education, state grants and scholarships, disability, housing, or food assistance benefit under which payments, assistance, credits, or reduced rates or fees are provided."

<u>FISCAL IMPACT - State Government</u>	FY 2016 (10 Mo.)	FY 2017	FY 2018
<b>#GENERAL REVENUE</b>			
<u>#Costs</u> - FSD computer interfacing	(\$42,320)	(\$2,800)	(\$2,800)
<u>#Costs</u> - DSS			
Personal Service	(\$264,777)	(\$321,038)	(\$324,248)
Fringe Benefits	(\$149,039)	(\$179,748)	(\$180,624)
Equipment and Expenses	<u>(\$439,565)</u>	<u>(\$469,809)</u>	<u>(\$481,552)</u>
<u>Total Costs - DSS</u>	(\$853,381)	(\$970,595)	(\$986,424)
FTE Change - DSS	9 FTE	9 FTE	9 FTE
<u>#Costs</u> - ITSD - computer interface with DESE	<u>(\$33,696)</u>	<u>\$0</u>	<u>\$0</u>
<b>#ESTIMATED NET EFFECT ON GENERAL REVENUE</b>	<b><u>(\$929,397)</u></b>	<b><u>(\$973,395)</u></b>	<b><u>(\$989,224)</u></b>
Estimated Net FTE Change on General Revenue	9 FTE	9 FTE	9 FTE

<u>FISCAL IMPACT - State Government</u>	FY 2016 (10 Mo.)	FY 2017	FY 2018
<b>#OTHER STATE FUNDS</b>			
<u>#Loss</u> - DSS - MHD provider tax	<u>(\$772,597,307)</u>	<u>(\$944,731,987)</u>	<u>(\$962,681,895)</u>
<b>#ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>	<b><u>(\$772,597,307)</u></b>	<b><u>(\$944,731,987)</u></b>	<b><u>(\$962,681,895)</u></b>
<b>#FEDERAL FUNDS</b>			
<u>#Savings</u> - FSD - savings in administration costs of food stamp program	\$0 to \$34,250,000	\$0 to \$34,250,000	\$0 to \$34,250,000
<u>#Savings</u> - MHD savings in services provided	\$0 to \$3,206,980,258	\$0 to \$3,921,495,459	\$0 to \$3,996,003,873
<u>#Costs</u> - DSS			
Personal Service	(\$133,384)	(\$161,726)	(\$163,344)
Fringe Benefits	(\$82,818)	(\$90,550)	(\$90,991)
Equipment and Expenses	<u>(\$284,283)</u>	<u>(\$314,006)</u>	<u>(\$321,854)</u>
<u>Total Costs</u> - DSS	<u>(\$500,485)</u>	<u>(\$566,282)</u>	<u>(\$576,189)</u>
FTE Change - DSS	5 FTE	5 FTE	5 FTE
<u>#Loss</u> - FSD - food stamp funding for administration	(\$0 to \$34,250,000)	(\$0 to \$34,250,000)	(\$0 to \$34,250,000)
<u>#Loss</u> - MHD federal funding	(\$0 to <u>\$3,206,980,258)</u>	(\$0 to <u>\$3,921,495,459)</u>	(\$0 to <u>\$3,996,003,873)</u>
<b>#ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>	<b><u>(\$500,485)</u></b>	<b><u>(\$566,282)</u></b>	<b><u>(\$576,189)</u></b>
Estimated Net FTE Change on Federal Funds	5 FTE	5 FTE	5 FTE

<u>FISCAL IMPACT - Local Government</u>	FY 2016 (10 Mo.)	FY 2017	FY 2018
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

FISCAL DESCRIPTION

This bill defines "habitual absence" as a child who has been counted absent without excuse for more than 10% of the total scheduled school days for a school term. A parent, guardian, or other person having charge, control, or custody of a child, who permits that child to be habitually absent may have his or her public benefits revoked. Under these provisions, a "public benefit" means any grant, contract, or loan provided by an agency of state or local government; or any retirement, welfare, health, postsecondary education, state grants and scholarships, disability, housing, or food assistance benefit under which payments, assistance, credits, or reduced rates or fees are provided. The term "public benefit" will not include unemployment benefits.

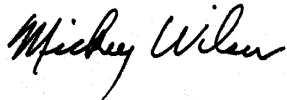
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Cole R-1 School District  
County Employees' Retirement Fund  
Department of Economic Development  
Department of Health and Senior Services  
Department of Higher Education  
Department of Labor and Industrial Relations  
Department of Mental Health  
Department of Social Services  
Everton R-III School District  
Kansas City Public Schools  
Malta Bend School District  
Missouri Local Government Employees Retirement System  
Missouri State Employee's Retirement System

SOURCES OF INFORMATION (continued)

Office of Administration  
Information Technology Services Division  
Prosecuting and Circuit Attorney's Retirement System  
Police Retirement System of Kansas City  
Police Retirement System of St. Louis  
Public School and Education Employee Retirement  
Sheriff's Retirement System  
Special School District of St. Louis



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